

Commission Meeting Minutes
August 12, 2015
5 Middlesex Avenue, Somerville

Chairman Brown called the meeting to order at 10:35 AM. He then acknowledged the other Commissioners present: Commissioners Kate Fitzpatrick, Elizabeth Fontaine, John Langan, James Machado, Robert McCarthy, and Gerald McDonough.

Chairman Brown announced that the Commission meeting is being tape recorded which will be noted in the minutes.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, General Counsel/Deputy Director John Parsons, Deputy General Counsel/Managing Attorney Judith Corrigan, Senior Associate General Counsel Ken Hill, Associate General Counsel Patrick Charles, Compliance Officer Thomas O'Donnell, Director of Strategic Planning Mike DeVito, Actuary James Lamenzo, Actuarial Analyst Samantha MacMillan, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the guests in attendance: Erika Glaster and Sean Neilon from the Teachers' Retirement Board, Tom Gibson from the Middlesex and Belmont Retirement Boards, Nick Favorito from the State Retirement Board, Kimberly Fletcher from the Newton Retirement Board, Paul Shanley from Amity Insurance, and Frank Valeri and Shawn Duhamel from the Massachusetts Retirees Association.

Commissioner McDonough made a motion to adopt the Commission meeting minutes from July 8, 2015. Commissioner Fontaine seconded the motion and the minutes were unanimously adopted.

Legal Update

Ms. Corrigan again reported on the *Bettencourt* case, this time to inform the Commission that the Supreme Judicial Court is soliciting amicus briefs on the following topic" "Whether a pension forfeiture pursuant to G.L. c. 32, s. 15(4), is a fine for purposes of the Eighth Amendment to the United States Constitution.

Ms. Corrigan explained the *Desmond v. CRAB, PERAC, MTRS & SBRS* case C.A. No. 14-3366B (July 28, 2015), a case in which a retired school teacher is attempting to augment his retirement allowance in an unusual circumstance.

Actuarial Update

Mr. Lamenzo discussed the draft 1/1/15 Commonwealth Actuarial Valuation Report. He stated that the adoption of a fully generational mortality assumption and the reduction in the investment return assumption from 8.0% to 7.75%, increased the unfunded liability by approximately \$3.5 billion. In addition, if a revised Commonwealth schedule was determined based on the 1/1/15 valuation, the current schedule would need to be extended by two years.

There was a discussion about the funding goal being set at 80% rather than 100%. There was a request for a list of systems that have hit 100% within the past 10 years. Mr. Lamenzo stated that he would supply the list.

There was also a discussion about the best time of year for the Commission to discuss the investment return assumption. Mr. Lamenzo stated a reasonable time might be just prior to the Consensus Revenue Hearing, usually held in December of each year. It was decided to have this discussion placed on the Commission Agenda later this year.

Commissioner McDonough moved to accept and disseminate the 2015 Commonwealth Actuarial Report. The motion was seconded by Commissioner Fitzpatrick and the motion was unanimously adopted.

Mr. Connarton reported that Samantha MacMillan has been hired in the Actuarial Unit as an Actuarial Analyst.

Mr. Favorito inquired if it would be possible that PERAC highlight some of the comments that Mr. Lamenzo made pertaining to the 2015 Commonwealth Valuation Report. Mr. Connarton stated that it could be highlighted in a cover letter.

Legislative Update

Mr. DeVito reported on two Outside Sections, 54 and 55 of the FY'16 Budget Conference Committee Report. Section 54 which increased the required time between Chapter 32, Section 23B procurements from 5 to 7 years passed into law as part of Chapter 46 of the Acts of 2015. Section 55, related to increasing the required time between procurements for Private Equity follow-on investments and Real Estate investments from 5 to 10 years was vetoed by Governor Baker. He explained that the legislature will be back in formal session in September and can override the veto up until November 30, 2015. He thanked the Commission, Chairman Scibak and Chairman Kaufman for all the support received. He then reported that H. 3566, PERAC's Concurrent Beneficiaries legislation was heard by the Joint Committee on Public Service. The sponsor of the bill, Representative James O'Day, and Patrick Charles testified. He finally reported that no hearing has been scheduled for H. 17 PERAC's bill which would authorize the Commission to hold hearings in Section 15(7) matters.

Audit Update

Mr. Parsons reported that Mr. Chadwick and Mr. Tivnan are currently making a presentation to the Treasurers and Collectors Association; therefore, he would provide the Audit Update this month. He stated that the Arlington Retirement Board's audit (no findings) has been posted on the PERAC Web Page. He also stated that the Audit staff is currently auditing the Barnstable County, Holyoke, Middlesex County, and Southbridge Retirement Boards.

Compliance Update

Mr. O'Donnell reported that the educational credits for participants at the MACRS Conference are being entered into PERAC's Compliance Database. He further stated that 100% of the active board members have filed their SFI forms and that three (3) members, no longer affiliated with a board, will be discussed in executive session. Mr. O'Donnell stated that there is 98%

compliance for the vendor disclosures with over 311 firms having filed. Mr. O'Donnell stated that both Norfolk County and Plymouth County Retirement Boards, the most ardent proponents of less due diligence, invest with four of the five firms that he expects will be debarred for failing to file vendor disclosures.

Executive Director's Report

Mr. Connarton reported on staff activities since the last Commission meeting.

Mr. Connarton reported that the October 14, 2015 Commission meeting will be held at the Sturbridge Host Hotel. The goal is to host regional meetings, as the Commission requested, to allow additional participation from local systems.

Mr. Connarton reported that pursuant to Chapter 32, §20 (4)(c), the Braintree Retirement Board has requested that the Commission confirm Mr. Roy W. Bjorlin as its fifth member. Mr. Eric Cocca resigned and has accepted a position with the Town of Braintree and is no longer eligible to serve.

Commissioner McDonough made a motion to appoint Mr. Roy W. Bjorlin as the fifth member of the Braintree Retirement Board. Commissioner Fitzpatrick seconded the motion and the motion was adopted.

Mr. Connarton explained that Mr. Lemnios, the Town Manager of Hull and the appointed member of the Hull Retirement Board, continues to attend all of the retirement board meetings but he does not vote on board matters. We are awaiting information on a new board member and will keep the Commission updated.

Mr. Connarton distributed the signed resignation letter of Mr. Thomas Capobianco from the North Attleboro Retirement Board. Mr. Capobianco stated in his letter of resignation about how difficult it is "to abide by the onerous restrictions imposed by Massachusetts law..." and that he would "hope that in the future, the state legislature will change the laws..."

Mr. Connarton reminded the Commission about the time spent by PERAC on this legislation (ie. public hearings, reaching out to MACRS, the Retiree Association, the legislature, and others) over a 6 year period which eventually became Chapter 176 of the Acts of 2011. He is troubled by the comments made by Mr. Capobianco and Ms. Kathleen Kiely-Becchetti (the new President of MACRS). According to the letter Ms. Kiely-Becchetti wrote to the Governor, it appears as though MACRS has withdrawn their support of Chapter 176. PERAC and the prior MACRS Executive Board and former President had many concessions which is why this is so suprising.

Discussion ensued about the letter written by Meketa Investment Group. Mr. Connarton would follow up further with Meketa and will keep the Commission updated. There was an inquiry if Commissioners could continue to lobby for or against bills and it was determined that they could continue to do so. The Commission suggested that PERAC reach out to legislative leadership to educate them of the work that PERAC does.

Commission Travel

Mr. Connarton informed the Commission of the upcoming MACRS Conference being held on October 4-7, 2015 in Springfield, MA.

Commissioner McCarthy moved to allow the interested participants to attend the MACRS Conference being held in Springfield, MA. The motion was seconded by Commissioner McDonough and the motion was unanimously adopted.

Mr. Connarton informed the Commission of the upcoming Public Safety NCPERS Program being held on October 25-28, 2015 in Rancho Mirage, CA.

Commissioner Machado moved to allow Commissioner McCarthy to attend the Public Safety NCPERS Conference being held in Rancho Mirage, CA. The motion was seconded by Commissioner Fitzpatrick and the motion was unanimously adopted.

Other Business

Mr. Connarton reported that the next Commission meeting would be held on September 9, 2015 at 5 Middlesex Avenue in Somerville.

Executive Session

At 12:13 PM Chairman Brown called for a roll call vote of the Commission to go into Executive Session to discuss investigatory materials necessarily compiled out of the public view by PERAC, the disclosure of which materials would probably so prejudice the possibility of effective law enforcement that such disclosure would not be in the public interest.

Chairman Philip Brown YES, Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, John Langan YES, James Machado YES, and Robert McCarthy YES.

Chairman announced that the Commission will reconvene in open session after the completion of the Executive Session.

A roll call vote was taken in Executive Session to return to the regular order of business and to adjourn the Executive Session at 12:23 PM.

Open Session

Commissioner McCarthy made a motion to adjourn the meeting. Commissioner Machado seconded the motion and it was adopted. The Commission meeting adjourned at 12:24 PM.

Commission Meeting Documents

Commission Agenda for the meeting of August 12, 2015
Commission Minutes for July 8, 2015

Legal Update

Email from the Supreme Judicial Court – Notice of Docket Entry SJC-11906 *Bettencourt*
Cover memo and case for *Desmond v. CRAB, PERAC, MTRS & SBRS*, C.A. No. 14-3366B
(July 28, 2015)

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Actuarial Update

Draft of the Executive Summary of the 1/1/15 Commonwealth Actuarial Valuation Report

Compliance Update

Updated 2015 Course Completion bar chart

Executive Director's Report

Updated Staff Activities Memo

Letter from Braintree Retirement Board regarding its fifth member

Correspondence from PERAC to Meketa Investment Group

Letters from PERAC to the Senate, House and Chairs regarding Outside Section 55 of H. 3650

Letter from MACRS to Governor Baker regarding Outside Section 55 of H. 3650

Letter from PERAC to Governor Baker regarding Outside Sections 54 and 55 of H. 3650

Letter from MMA to Governor Baker regarding legislative issues

Letter from Hallmark Health to the *Globe* regarding Outside Sections 54 and 55 of H. 3650

Letter from MMA to the Chairs of the House and Senate regarding legislative issues

Other Documents Included in Package

Article in the *Pension & Investments* entitled *Opening up private equity fees*

Article in the *Providence Journal* entitled *RI pension fund gets 2.2% investment return, far below assumed rate of 7.5%*

Other Documents Distributed at Meeting

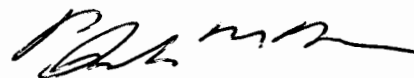
Draft of 1/1/15 Commonwealth Actuarial Valuation Report

Commonwealth's Actuarial Liability Compared to Assets draft bar chart

Resignation letter from North Attleboro board member Thomas Capobianco

Correspondence from Meketa Investment Group

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission